

# GOVERNMENTAL OPERATIONS

Agency 102

## Department of Financial Institutions

### Recommendation Summary

Dollars in Thousands

	Annual FTEs General Fund State	Other Funds	Total Funds
<b>2009-11 Expenditure Authority</b>	186.7	44,476	44,476
<b>Total Maintenance Level</b>	186.6	44,445	44,445
Difference	(.1)	(31)	(31)
Percent Change from Current Biennium	(0.1)%	(0.1)%	(0.1)%
<b>Performance Changes</b>			
Mortgage Lending Fraud Prosecution Program *		1,000	1,000
Financial Reform/Investment Adviser	.5	1,204	1,204
Addressing Subpoena Authority #		96	96
Suspend Plan 1 Uniform COLA #		(501)	(501)
State Data Center Rate Increase		377	377
<b>Subtotal</b>	0.5	2,176	2,176
<b>Total Proposed Budget</b>	187.1	46,621	46,621
Difference	.4	2,145	2,145
Percent Change from Current Biennium	0.2%	4.8%	4.8%
<b>Total Proposed Budget by Activity</b>			
Agency Management and Administrative Services	14.8	3,223	3,223
Chartering, Licensing and Registration	25.0	6,927	6,927
Education and Public Outreach	3.2	1,381	1,381
Enforcement	44.3	10,904	10,904
Examinations	100.0	24,186	24,186
<b>Total Proposed Budget</b>	187.1	46,621	46,621

### PERFORMANCE LEVEL CHANGE DESCRIPTIONS

#### Mortgage Lending Fraud Prosecution Program \*

The Mortgage Lending Fraud Prosecution program is scheduled to expire on June 30, 2011. The Department of Financial Institutions (DFI) proposes legislation to push back the expiration date of this program, as it is vitally important to DFI's efforts in fighting mortgage fraud. The account provides resources to local prosecutors and the state to combat mortgage fraud. The use of this account has also proven to be effective in maintaining a level playing field for legitimate mortgage businesses in Washington. (Mortgage Lending Fraud Prosecution Account-Nonappropriated)

## **GOVERNMENTAL OPERATIONS**

### **Financial Reform/Investment Adviser**

Resources are needed to address DFI's expanded regulatory authority delegated by Congress by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Effective July 21, 2011, the number of investment advisers regulated by DFI will increase by approximately 60 percent, from about 500 to an estimated 800. Because the new registrants will have larger, more complex portfolios (such as hedge fund managers and other private equity fund advisers), DFI will require more resources to regulate them. DFI is provided expenditure authority for this additional regulation. (Financial Services Regulation Account-Nonappropriated)

### **Addressing Subpoena Authority #**

The Department of Financial Institutions proposes legislation that will grant it authority to obtain a subpoena for records, documents, or testimony from a superior court. This is in connection with its investigation and enforcement activity under the Escrow Agent Registration, Franchise Investment Protection, Business Opportunity Fraud, Mortgage Broker Practices, Uniform Money Services, Securities, Commodity Transactions, Consumer Loan, and Check Cashers and Sellers Acts. This authority will result in higher ongoing legal costs, as efforts to secure subpoenas increase. (Financial Services Regulation Account-Nonappropriated)

## **ACTIVITY DESCRIPTIONS**

### **Agency Management and Administrative Services**

The Division of Administration provides administrative and advisory services for the Department of Financial Institutions. These services include policy and legal advice, human resources, financial and budgeting functions.

### **Chartering, Licensing and Registration**

The Department of Financial Institutions evaluates and approves new applications, mergers, conversions, branches, and corporate governance changes for banks and credit unions. The department also conducts licensing, registration, and exemption activities for financial entities, such as broker dealers, investment advisers, securities issuers, escrow officers, mortgage brokers and loan originators, payday lenders, money transmitters, currency exchangers, and consumer loan companies.

### **Education and Public Outreach**

The Department conducts education and outreach activities for consumers and stakeholders. Activities include presentations, town meetings, and press conferences addressing consumer and industry concerns; Internet-based information; and interactive programs.

### **Enforcement**

The Department conducts various types of supervisory, surveillance, and enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions. Activities include processing complaints, doing investigations, and taking appropriate actions against banks, credit unions, and other financial entities. Additional enforcement functions include coordination and assistance to other law enforcement agencies and prosecutors and providing testimony in courts of law.

### **Examinations**

The department performs several types of examinations. The three primary examinations are compliance and for-cause examinations of financial entities; safety and soundness examinations of banks, credit unions, debenture companies, money transmitters, trust companies, Small Business Association (SBA) lenders, and industrial development corporations; and information system examinations of banks and credit unions.